



FIXED PROTECTION

What is fixed protection?

It is a new form of savings protection which might help you if you expect your pension savings to be **more than £1.5 million** when you come to take your benefits on or after 6 April 2012.

A lifetime allowance tax charge applies to pension savings that are more than the standard lifetime allowance when benefits are taken. The current standard lifetime allowance is £1.8 million. It is reducing to £1.5 million on 6 April 2012.

You may be able to use fixed protection to protect you from the lifetime allowance charge when the standard lifetime allowance reduces to £1.5 million.

Who can apply for fixed protection?

If you do not have either primary protection or enhanced protection, you can apply for this new form of protection. You do not need to already have built up pension rights of more than £1.5 million to apply.

However if you have fixed protection there are restrictions on what you will be able to do with your benefits. For example, you will normally need to stop building up benefits under every registered pension scheme that you belong to by 5 April 2012. Remember, your pension scheme or employer may need time to stop your active membership. Don't leave it to the last minute.

How do I apply for fixed protection?

You can apply for fixed protection using the APSS227 form and completion notes. These are available on the HM Revenue & Customs (HMRC) website.

When can I apply?

You can apply for fixed protection until 5 April 2012. Applications received after 5 April 2012 will not be accepted so you will need to make sure that HMRC get your fully completed form by 5 April 2012.

What will my lifetime allowance be if I apply for fixed protection?

If you have fixed protection your lifetime allowance will be fixed at the current level of £1.8 million rather than the reduced standard lifetime allowance of £1.5 million that will apply from 6 April 2012.

Your fixed protection will stop if in the future the standard lifetime allowance rises to be more than £1.8 million. Your lifetime allowance will then be the higher standard lifetime allowance.

Can I lose this fixed protection?

Yes. You will lose fixed protection if you break one of the conditions for fixed protection. You must tell HMRC if you lose fixed protection. If you lose fixed protection then you will revert to the standard lifetime allowance when testing whether or not your benefits are within the lifetime allowance.

What are the conditions for fixed protection?

To keep fixed protection you:

- cannot start a new pension arrangement other than to accept a transfer of existing pension rights;
- cannot have benefit accrual; **and**
- will be subject to restrictions on where and how you can transfer benefits

If you break one of these conditions you will lose fixed protection. **You must tell HMRC if you lose fixed protection.**

What is 'benefit accrual'?

The rules for when benefit accrual occurs vary depending on which type of pension arrangement you belong to. If you have benefit accrual under just one of your pension arrangements you will lose fixed protection.

For a **money purchase** arrangement benefit accrual happens if after 6 April 2012:

- you pay a contribution to the arrangement; or
- your employer pays a contribution to the arrangement for you; or
- someone else, other than you or your employer pays a contribution to the arrangement.

An exception to this 'no contribution rule' is that contributions may continue to a life assurance policy providing death benefits that started before 6 April 2006.

For **defined benefits** or **cash balance** arrangements benefit accrual will occur if at any time in a tax year from 2012-13 onwards, the value of your uncrystallised rights (i.e. you have not already taken benefits) has gone up by more than the 'relevant percentage'. An increase to a pension in payment (crystallised rights) will not cause benefit accrual to occur.

What is the 'relevant percentage'?

The relevant percentage is either:

- An annual rate used to increase your rights and which was specified in your scheme's rules on 9 December 2010, **or**, if there is no such rate specified,
- The percentage by which the consumer prices index (CPI) increased in the year ending in September of the previous tax year. So for the tax year 2012-13 it will be the percentage increase in the CPI for the 12 month period ending September 2011. If there is no increase or a fall in the CPI in this period, then the percentage rate is nil.

Defined benefits schemes normally specify a percentage rate by which deferred benefits will increase each year until the time when the member takes their benefits. For an active member, benefits will normally increase in value by reference to years of service and pensionable salary rather than by a percentage rate. So the relevant percentage for an active member of a defined benefits scheme will be the increase in CPI.

Where can I find out more about fixed protection?

Full guidance on how fixed protection works can be found in the Registered Pension Schemes Manual (RPSM) from [RPSM11101500](http://www.hmrc.gov.uk/pensionschemes/lifetime-allowance/savings.htm), and from the following links:
<http://www.hmrc.gov.uk/pensionschemes/lifetime-allowance/savings.htm> and
<http://www.hmrc.gov.uk/pensionschemes/newsletter50.pdf>

About Us

The Pensions Advisory Service has been providing help and guidance to members of the public on pension matters since 1983 either by telephone or written advice. We can also help people who have a pension complaint or dispute.

Our service is free and sustained by a nationwide network of volunteer advisers, who are supported and augmented by technical and administrative staff based in our London office.

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Please note that this guide is for information only. The Pensions Advisory Service cannot be held responsible in law for any opinion expressed, nor should any such opinion be regarded as grounds for legal action.

We regret that we are unable to accept visitors at our office.